

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AID-20 CEA-02 CIAE-00

COME-00 EA-11 FRB-02 INR-10 NEA-10 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

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INFO AMEMBASSY BONN

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TAGS: EFIN, EEC, OVIP (FLANIGAN, PETER M.)

SUBJECT: DIRECT INVESTMENT ISSUES IN THE OECD

REF: A. OECD PARIS 10631

B. STATE 89852

C. EC BRUSSELS 6406, NOVEMBER 9, 1973

D. EC BRUSSELS 2311

1. SUMMARY. IN CONNECTION WITH MR. FLANIGAN'S VISIT, WE HAVE
REVIEWED WITH EC COMMISSION OFFICIALS THE VARIOUS US QUESTIONS

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AND TALKING POINTS (REFTEL B). THEY ESSENTIALLY RESTATED

EC COMMISSION VIEWS AS PRESENTED IN THE OECD EXPERTS' MEETING (REF TEL A). WE MAY RECEIVE FURTHER COMMISSION VIEWS ON MAY 6 AND IF SO WILL TRANSMIT THEM PROMPTLY TO PARIS FOR MR. FLANIGAN. IN GENERAL, WE EXPECT THE EC COMMISSIONERS (A) TO TRY GENERALLY TO REASSURE THE US THAT EC POLICIES AND PROPOSALS ARE NOT DIRECTED AGAINST US OWNED MNE'S (B) TO TRY TO EXPLAIN THE NEED FOR SPECIAL MEASURES TO FAVOR CERTAIN INDUSTRIES OR REGIONS; AND (C) PROBABLY TO REPEAT THEIR POSITIONS ON POINTS UNDER DISCUSSION IN THE OECD.
END SUMMARY.

2. ON MAY 3, WE REVIEWED THE MATERIAL IN REFTEL B WITH LOERKE AND MALTZAHN, THE TWO MOST SENIOR OFFICIALS AVAILABLE IN THE EC COMMISSION DIRECTORATES GENERAL FOR EXTERNAL RELATIONS AND INDUSTRIAL AFFAIRS. THEY TOOK CAREFUL NOTE IN ORDER TO ASSURE ADEQUATE BRIEFING OF THEIR SUPERIORS WHO WERE IN MEETINGS ALL DAY AND INACCESSABLE.

3. THE MAIN POINT EMPHASIZED INITIALLY BY LOERKE AND MALTZAHN IS THAT THE EC COMMISSION CONSIDERS THE CURRENT OECD INVESTMENT EXERCISE IS UNBALANCED: IN THE COMMISSION'S VIEW, PROGRESS HAS BEEN MADE ON THE NATIONAL TREATMENT ISSUE WHILE WORK ON MNE'S HAS LAGGED. THEY ARGUED THAT THESE TWO ISSUES ARE IN FACT DIFFERENT SIDES OF THE SAME COIN. THEY ALSO MAINTAINED THAT GUIDELINES FOR NATIONAL TREATMENT WOULD IMPOSE DISCIPLINE ON GOVERNMENTS WHILE THERE WOULD BE NO PARALLEL REQUIREMENT FOR DISCIPLINE OF MNE'S UNLESS AGREEMENT IS REACHED IN THAT AREA.

4. MALTZAHN AND LOERKE ALSO MADE THE POINT THAT THE COMMISSION WOULD BE UNABLE TO ACCEPT ANYTHING IN THE FIELD OF INVESTMENT INCENTIVES/DISINCENTIVES THAT MIGHT COMPROMISE THE COMMUNITY'S PROPOSED REGIONAL POLICY. IN PARTICULAR, THE COMMISSION WOULD OPPOSE ANY DISTINCTION BETWEEN EXISTING INCENTIVES AND NEW INCENTIVES SINCE THE REGIONAL POLICY COULD PROVIDE FOR NEW INCENTIVES.

5. MR. FLANIGAN'S PROGRAM WITH THE COMMISSION HAS BEEN ARRANGED SO THAT HE WILL DISCUSS INVESTMENT ISSUES PRIMARILY WITH COMMISSIONERS SPINELLI AND BORSCHETTE SEPARATELY.

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6. SPINELLI HAS BEEN ONE OF THE STRONGEST ADVOCATES OF A COMMUNITY POLICY ON MNE'S AND A MOVING FORCE IN THE PREPARATION OF THE COMMISSION'S PAPER ON THIS SUBJECT (REFTEL C). WE BELIEVE THAT HE WILL EXPECT TO DISCUSS THIS SUBJECT WITH MR. FLANIGAN. DURING SECRETARY DENT'S RECENT VISIT (REFTEL D, PARAS 11-13), SPINELLI REPEATED SOME OF HIS WELL-KNOWN GENERAL CONCERNS BUT STATED THAT THE COMMISSION'S PREOCCUPATION IS WITH THE DOMINANT MARKET POSITIONS OF SOME MNE'S, NOT THEIR

NATIONALITY. SPINELLI HAS BEEN KNOWN, HOWEVER, TO BE A VIGOROUS ADVOCATE OF DEVELOPING LARGE "EUROPEAN" INDUSTRIAL UNITS THAT CAN COMPETE WITH LARGE US COMPANIES (E.G., COMPUTERS) THROUGH INTERVENTIONIST POLICIES. HE PRESUMABLY WOULD RESIST WHAT HE CONSIDERED INHIBITIONS TO SUCH A POLICY (REFTEL A PARA 12).

7. BORSCHETTE (RESPONSIBLE FOR COMPETITION POLICY) HAS CARRIED OUT HIS RESPONSIBILITIES IN A MANNER THAT DOES NOT INVOLVE DISCRIMINATION BETWEEN EC AND THIRD COUNTRY FIRMS. BORSCHETTE BELONGS TO THE SCHOOL OF THOUGHT IN THE COMMISSION THAT BELIEVES THAT CORPORATE DEVELOPMENT IN EUROPE SHOULD COME THROUGH THE ELIMINATION OF LEGAL BARRIERS, RATHER THAN THROUGH "DIRIGIST" POLICIES.

8. WE BELIEVE THAT A STRAIGHTFORWARD PRESENTATION OF US THINKING BY MR. FLANIGAN WILL BE THE MOST EFFECTIVE APPROACH WITH THE COMMISSIONERS. WHILE SPINELLI AND BORSCHETTE BETWEEN THEM HAVE PRIMARY RESPONSIBILITY FOR MOST OF THE SUBSTANTIVE ISSUES INVOLVED, SOAMES AND HIS STAFF (INCLUDING HIJZEN) HAVE IMMEDIATE RESPONSIBILITY FOR THE OECD EXERCISE. WITH SOAMES, WE SUGGEST A GENERAL DISCUSSION OF OUR AIMS FOR THE OECD MINISTERIAL AND EMPHASIS ON THE POLITICAL AND POLICY RATIONALE. MR. FLANIGAN MIGHT WISH TO STRESS OUR DESIRE FOR TWO-WAY CONSULTATION WITH THE COMMISSION TO BRING THE US AND EC POSITION ON INVESTMENT REFORM AS CLOSE TOGETHER AS POSSIBLE.

9. WE BELIEVE THAT THE COMMISSIONERS WILL IN ANY CASE TRY TO REASSURE MR. FLANIGAN ABOUT THEIR OVERALL VIEW OF US INVESTMENT AND MNE'S AND ABOUT COMMUNITY POLICIES. THEY WILL PROBABLY BE CAUTIOUS, HOWEVER, ABOUT MOVING AHEAD RAPIDLY ON INVESTMENT REFORM IN THE CONTEXT OF THE OECD MINISTRERIAL LIMITED OFFICIAL USE

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BECAUSE VIEWS DIFFER AMONG THE NINE AND, TO SOME EXTENT, AMONG THE COMMISSIONERS THEMSELVES.
GREENWALD

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